

From: Iowa Student Loan Liquidity Corporation, Steven W. McCullough
Subject: Prescreened Solicitations

Date: May 26, 2004

Proposal: Study on Prescreened Solicitations
or Firm Offers of Credit or Insurance
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Comments:

@@@MEMORANDUM

DATE: May 25 2004

TO: Federal Reserve

FROM: Steve McCullough

SUBJECT: Response to the Quest for Information for Study on
Pre-Student's Solicitations or Firm Offers of Credit or Insurance, Docket
Number OP/1195.

I have a great concern that some aggressive direct marketers of credit are using the provisions allowing access to credit bureau information for pre-screen solicitations. As a mechanism to gain access to consumer non-public information, they are then using this information to send multiple, unsolicited direct mail pieces to unsuspecting consumers.

A case in point is the mailing of student loan consolidation information. The volume of complaints to colleges, student loan providers and congressional offices being filed by recipients of this information is immense and shocking. Certain aggressive direct marketers have come under the pretense of "pre-screening," to gain access to consumer information contained in the credit bureau databases. In fact, any borrower with federally guaranteed student loans held by multiple holders has a right to consolidate under the Federal Higher Education Act. The only "screening" being done in these solicitations is to ascertain whether students have outstanding guaranteed student loans. In effect, this amounts to little more than direct marketers directly purchasing mailing lists of non-public information from the credit bureaus.

Student loan holders are subject to the privacy requirements of financial institutions under the Gramm-Leach-Bliley Act. As such, they seek to provide student loan borrowers with the highest assurance that their non-public information will not be shared with third parties. Unfortunately, such assurance can not be given because the Higher Education Act requires holders of student loans to report to credit bureaus, which in turn are supplying this non-public information to direct marketers through "pre-screened" information. Student loan holders are receiving a large number of complaints from borrowers about the large volume of "junk mail" they are receiving about student loan consolidations.

Of even greater concern, sending borrowers solicitations that include their personal non-public information substantially increases the risk of identity theft. As a prudent measure to avoid identity theft, recipients of pre-screened solicitations should shred this information rather than simply throwing it in the trash. However, many do not and, as such, risk having the pre-screened offers containing their personal non-public information pilfered from the trash or mailbox by those who would seek their identity to commit fraud.

There is an "800" number that notifies all three major credit bureaus of a consumer's desire to opt out of having their personal information shared, even for pre-screened offers. In an effort to assist borrowers, some student loan holders have proactively provided them with this number. Unfortunately, the "opt out" process is unreasonably (and perhaps intentionally) onerous for borrowers to execute. After leaving their demographic information on a recorder, written information is sent to the borrower through the mail in a nondescript envelope, which could be confused with other "junk mail." The mailing requires the borrower to complete additional information, sign the documents and mail them back to the credit bureaus. This complex process is unnecessary because recent experience with the National Do-Not-Call registry proves that borrowers can successfully "opt out" using a simple one-step process. The risk of impersonators opting out of credit bureau pre-screenings is

extremely low. Even in such an unlikely event, there is no damage to the actual borrower. In most cases, the actual borrower would thank the imposter.

I respectfully submit that receiving pre-screened mailings is of extremely marginal benefit to borrowers and that this slight benefit is vastly outweighed by the risk of identity theft and the measures that recipients must undertake to prevent it. Individuals wanting to find and apply for credit can quickly and easily do so via the Internet where a plethora of quick and easy online applications exist.

Steven W McCullough
President/CEO

IP:
User Agent:
Windows NT 5.1; .NET CLR 1.1.4322)

12.10.43.8
Mozilla/4.0 (compatible; MSIE 6.0;